

**Department of Energy**

Nevada Operations Office
P.O. Box 98518
Las Vegas, NV 89193-8518

MAY 23 2001

T. F. Gioconda, Acting Deputy Administrator for Defense Programs, NNSA/HQ (DP-1) FORS

REQUEST FOR AUTHORIZATION OF SEMIANNUAL FEE PAYMENT FOR NATIONAL
NUCLEAR SECURITY ADMINISTRATION NEVADA OPERATIONS OFFICE (NNSA/NV)
BECHTEL NEVADA (BN) CONTRACT NO. DE-AC08-96NV11718

NNSA/NV has completed its assessment of BN's effectiveness in meeting performance expectations as reflected in the fiscal year 2001 Performance Evaluation and Measurement Plan (PEMP) for the period of October 1, 2000, through March 31, 2001. In accordance with the PEMP a fee determination must be made 70 calendar days after the end of the evaluation period. The evaluation period ended March 31, 2001, therefore, a fee determination must be rendered by June 8, 2001.

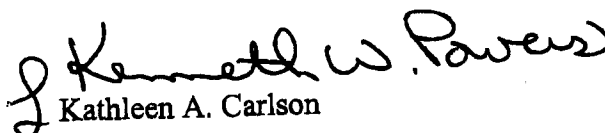
NNSA/NV's fee determination process for this period began with a request for input from the organization responsible for monitoring each performance expectation. The Performance Evaluation and Review Committee then developed a draft report for the Award Fee Board (AFB) review and approval. The AFB met twice to ensure the accuracy, consistency, and quality of the draft report and to recommend a fee determination. Based on the AFB's assessment, NNSA/NV is recommending total fee earned for this period of \$7,058,566 or 90.15 percent of the \$7,829,750 available fee for this period. This is a composite of \$3,889,750 in earnings from the performance based incentive fee pool and \$3,168,816 in earnings from the award fee pool. The AFB Report and associated worksheet are attached as enclosures 1 and 2. The performance based incentive fee worksheet is attached as enclosure 3. Based on my review of the contractor's performance and the AFB Report, I have concurred with their recommendation and will authorize payment of the earned fee following receipt of your approval.



T. F. Gioconda

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I have also enclosed a draft of the letter which will transmit the appraisal decision to the contractor as enclosure 4. If you have any questions regarding this matter, please call me at (702) 295-3211.


Kathleen A. Carlson
Manager

WBG:01406

Enclosures:
As stated

Approval of NNSA/NV's recommended FY 2001 first half earned fee for Bechtel Nevada,
Contract No. DE-AC08-96-NV11718.



T. F. Gioconda, Acting Deputy
Administrator for Defense Programs

7 June 2001
Date

☒ Approved

☐ Not Approved



Department of Energy

Nevada Operations Office
P.O. Box 98518
Las Vegas, NV 89193-8518

JUN -8 2001

Steven D. Liedle
General Manager
Bechtel Nevada
P. O. Box 98521
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BECHTEL NEVADA (BN) ASSESSMENT OF PERFORMANCE MEASURES ACHIEVED
AND AWARD FEE EVALUATION FOR THE PERIOD OCTOBER 1, 2000, THROUGH
MARCH 31, 2001, - CONTRACT NO. DE-AC08-96NV11718

The National Nuclear Security Administration Nevada Operations Office (NNSA/NV) has completed its assessment of BN's effectiveness in meeting the performance expectations reflected in the Performance Evaluation and Measurement Plan for the period October 1, 2000, through March 31, 2001. Based on this assessment, which has been reviewed and concurred upon by the Acting Deputy Administrator for Defense Programs (DP-1), BN is authorized earned fee in the amount of \$7,624,226.87 for this period. This is a composite of \$4,455,410.87 in earnings from the performance based incentive fee pool and \$3,168,816 in earnings from the award fee pool.

Exemplary support was provided to the startup of the JASPER Gas Gun Experiment Project, acceleration of Project Javelin, and partnership with the national laboratories on Nevada Test Site strategies for the future. BN strengthened their safety culture and aggressively pursued completion of Integrated Safety Management (ISM) Phase II corrective actions. BN was also proactive in development of the Site Development Plan, however, additional emphasis is needed on effectively planning for and supporting line item construction activities. Furthermore, increased management attention needs to be placed on the timely development of sufficient safety analysis documentation and BN needs to aggressively pursue refinement to the organizational structure to improve clarity and focus.

A copy of the Award Fee Board Report is enclosed for your information.

Kathleen A. Carlson
Manager

CMD:WBG-01407

Enclosure:
As stated



JUL - 6 2001

Steven D. Liedle

-2-

cc w/encl:

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W. C. Lips, NNSA/HQ (DP- 44) FORS
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**AWARD FEE BOARD REPORT OF BECHTEL NEVADA'S PERFORMANCE
OCTOBER 1, 2000, THROUGH MARCH 31, 2001**

I EXECUTIVE SUMMARY

Overall, Bechtel Nevada (BN) provided high quality services in support of the National Nuclear Security Administration Nevada Operations Office (NNSA/NV).

Exemplary support was provided to the startup of the JASPER Gas Gun Experiment Project, acceleration of Project Javelin, and partnership with the national laboratories on Nevada Test Site strategies for the future. BN strengthened their safety culture and aggressively pursued completion of Integrated Safety Management (ISM) Phase II corrective actions. BN was also proactive in development of the Site Development Plan (SDP), however additional emphasis is needed on effectively planning for and supporting line item construction activities. Furthermore, increased management attention needs to be placed on the timely development of sufficient safety analysis documentation and BN needs to aggressively pursue refinement to the organizational structure to improve clarity and focus.

II GENERAL MANAGEMENT

Special Emphasis Area 1 - General Management

Emphasis on enhancing management practices continued to be evident, but remains varied throughout the organization. Positive efforts were noteworthy in procurement outreach and subcontracting to small businesses. Project management and partnering efforts associated with JASPER, the Emergency Response Support and Logistics Program, the Remote Sensing Laboratory and reopening of the G-Tunnel were also noteworthy. While BN was slow to initiate actions to address the issue of streamlining the organizational structure, the recently completed organizational review validated the efficiency of many organizational elements yet highlighted opportunities in others. Implementation of the recommendation for the organizational review will improve clarity, focus and overall organizational efficiency. In addition, BN needs to continue to analyze, enhance and communicate the processes used to develop project proposals, plans and budget/pricing estimates.

AWARD FEE BOARD REPORT OF BECHTEL NEVADA'S PERFORMANCE OCTOBER 1, 2000, THROUGH MARCH 31, 2001

Achievements

Bechtel Nevada has done an outstanding job in supporting NNSA's business development efforts. BN developed exceptional plans, performed outstanding analyses and assessments for Nevada Test Site Development Corporation (NTSDC) and NNSA/NV to bring a wind turbine project to NTS. BN also assisted NTSDC in the creation of the National Coalition of Space-port States to promote Space-port Nevada to NASA for future range and space-port studies.

BN provided exemplary support to the Nevada Operations Office 50th Anniversary Family Day at the Nevada Test Site. BN was responsible for all planning, logistics and event day activities for this successful anniversary celebration attended by more than 1800 people from across the United States.

Successful outreach efforts have resulted in several new small business awards which contribute positively toward the annual socioeconomic goals. It is also noteworthy that BN continued a five year practice of meeting or exceeding its Small Business subcontracting goals. BN is also making significant contributions to the DOE small business conference that will be hosted by NNSA/NV.

BN provided outstanding support to critical Nevada Test Site strategic planning efforts. Working in close partnership with the national laboratories and others, BN assumed a leadership role in the development of meaningful strategies to enhance the future path forward for the Nevada Test Site.

BN successfully demonstrated its ability to develop and maintain strong working relationships with major key players conducting activities on the NTS. Through effective partnering with Lawrence Livermore National Laboratory (LLNL), programmatic objectives associated with the startup of the JASPER Gas Gun Experiment Project were accomplished on schedule and within costs; mission assessment of the Emergency Response Support and Logistics (ERS&L) Program resulted in the creation of a library of emergency response reference material which will be used as a model for operating standards and managing emergency response assets within NNSA; support of the NNSA/HQ Office of Emergency Response Program Review facilitated HQ's quick response in funding an additional \$1.2M for work at the Remote Sensing laboratory; and the Pre-Conceptual Design Report supporting the reopening of the G-Tunnel was prepared on schedule and with a significant savings over the estimated cost.

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The quality of planning and customer service provided to NNSA/HQ was a contributing factor in NNSA/NV receiving the funding quickly, to complete engineering work on the nuclear device staging area.

BN was very proactive in supporting NNSA/NV in providing support to the DOE/HQ Technical Leadership Development Program (TLDP) intern training program. In March 2001, the TLDP interns were in Las Vegas to receive training. One of the courses provided was on facility maintenance. BN provided the interns with a half-day interactive session to discuss maintenance management, work control, implementation issues, and other factors involved in maintaining NNSA facilities. The interns were also provided a tour of the NLV facilities as a "hands-on" view of the types of problems encountered in trying to maintain facilities with ever-increasing competing requirements. The DOE/HQ instructors and the NNSA/NV facility management officials were impressed and appreciated BN's support, professionalism and receptiveness to providing this service with very limited notice.

Areas Requiring Improvement

NNSA/NV continues to receive customer reports of deficiencies in budget quality of estimates. Examples of impacts attributed to those deficiencies include the underestimation of the cost to support TRU Safety Analysis efforts; inability to effectively accomplish planned work and achieve labor load leveling for the national laboratories; and delays in the initiation of FY 2001 general plant project work, including some that are part of regulatory schedule agreements. After concerns were raised regarding the cost estimate on the Mercury Highway Line Item Project, a DOE/HQ Internal Project Review team identified recommendations for improving BN's cost estimating practices. A BN cost estimating expert also reviewed BN's processes and procedures and confirmed the findings of the DOE/HQ team. Despite the fact that NNSA/NV identified the need for improvements in BN's cost estimating practices in FY 2000, BN did not undertake corrective actions until deficiencies were identified in the independent review. Consistency of budget and pricing estimates is identified as the root cause of those deficiencies. However, while exceptions may exist, the actual root cause may be imprecise work scope definitions. BN needs to evaluate its processes for assessing requirements that result in scope of work definition with the objective of ensuring there is a completeness of description and agreement with customer expectations prior to creating a final, official estimate.

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While improvement has been noted in BN's ability to produce acceptable design and construction plans in a timely matter, it remains varied throughout the organization. BN management attention is needed to correct inconsistencies and inefficiencies in the development and submittal of project documentation. Examples include the BUS Upgrade Conceptual Design Report package which was not submitted in accordance with HQ review and approval requirements. Another example is the delay in the preparation of the Phase I Proposal for relocation of the TA-18 to the Device Assembly Facility (DAF) which resulted in late submission of the proposal to NNSA/HQ. Additionally, submission of DAF glovebox Construction Activity Reports was not done in a timely manner. Construction Progress Report number 27 was dated March 1, 2001 but received on March 9, 2001 and report number 28 was dated March 5, 2001 but was received on March 29, 2001.

BN missed the first quarter deadline of delivery of an approved public affairs/community outreach plan. The plan was to identify opportunities, milestones, and specific events for outreach to surrounding communities. A product was delivered on December 12, 2000 but did not meet expectations and required significant rewrite.

Observations/Comments

BN needs to aggressively pursue implementing refinements to the organizational structure and complete implementation.

NNSA/NV has received positive comments from LANL regarding BN's support of its technical projects. Diagnostics support, Stallion construction, and advanced radiography have all performed to expectations. In the last six months, the construction of the Stallion experimental areas has exceeded the original projections, and the development of the advanced radiographic machine has gone smoothly.

III ENHANCE OPERATIONAL SAFETY CULTURE

Special Emphasis Area 2 - Enhance Operational Safety Culture

BN has been aggressive in pursuing the completion of ISM Phase II corrective actions and mentoring and training employees on work control policies and practices. BN's enhanced safety culture has resulted in the receipt of no Price Anderson Amendment Act violations; no unplanned worker exposure to radiation, chemical or biological hazards; 296,208 hours worked at the Low Level Waste facility without a lost time accident; 100% of Occurrence Reports meeting the 24-hour notification requirement; and 100% response to emergency calls at the NTS and the rural

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Nevada counties within 2 minutes of notification. Positive efforts were also noted in the development of the final report on "Classification of Vegetation on the Nevada Test Site" and implementation of a quality hazardous waste management program. However, BN needs to focus attention on timely development of sufficient safety analysis documentation for TRU in the classified area at the Radioactive Waste Management Site (RWMS) and Waste Examination Facility (WEF).

Achievements

The final report on "Classification of Vegetation on the Nevada Test Site" was an outstanding document, culminating three years of work. Vegetative descriptions are very precise and illustrated by high-quality photographs and Geographic Information System maps. The Nevada Test Site is probably the only office to have completely classified its vegetative communities and NNSA/NV is highly pleased with the content and quality of BN's product.

BN continued to implement a quality hazardous waste management program and to meet RCRA compliance requirements, including all permitting conditions. NNSA/NV conducted a compliance assessment of hazardous waste management activities in preparation for the state Compliance Evaluation Inspection, of which BN performed successful. Also, state inspections of facilities at the NTS have not identified any deficiencies.

Areas Requiring Improvement

BN did not provide a sufficient safety analysis for the TRU waste in the classified area at the RWMS in a timely manner. Federal staff discussed concerns regarding the analysis of this waste and material with BN during the development of the safety basis document for the RWMS. However, BN did not sufficiently address those concerns in the safety analysis. As of March 31, BN had not formally identified corrective actions to address this issue.

BN did not provide a sufficient safety analysis for the WEF as a Category 3 facility and the TRU Pad/TRU Pad Cover Building (TP/TPCB) as a Category 2 facility, as scheduled. NNSA/NV has continued to work with BN in reaching a common understanding of the necessary requirements relative to DOE Orders, Standards and federal regulations for a sufficient safety analysis. However, BN did not satisfactorily resolve NNSA/NV's comments on the WEF Safety Analysis Report (SAR) as scheduled nor did they meet the deliverable for the TP/TPCB SAR. Although resolution of comments has required extensive interaction between NNSA/NV and BN, to date the contractor has yet to submit the final documents.

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Observations/Comments

BN continued to focus management attention on the management of contaminated groundwater in the source vault located in Building A-1 and it is NNSA/NV's expectation that actions relative to Building A-1 tritium issues will be completed by September 2001. Completed actions should include a formal recommendation on long-term monitoring, closure of the source vault and protection from rising groundwater in the elevator shaft.

In September of 2000, NNSA/NV advised BN of concerns about potential violations of the air quality operating permit when generators were loaned to the UGTA project that had zero operating hours assigned under the permit. BN has placed added emphasis on determining the cause of this problem and is taking steps to address it. NNSA/NV will continue to monitor this activity to ensure that corrective actions have eliminated the possibility of future occurrences.

During FY 2000, NNSA/NV advised BN of the existence of potential unexploded ordnance, abandoned containers containing hazardous material and numerous sites requiring cleanup at the NTS. BN should increase emphasis on NTS housekeeping, non-FFACO, and site cleanup in response to these and other NNSA/NV findings which have been assigned a Risk Assessment Value greater than 100.

BN is still progressing towards the implementation of a Pollution Prevention Program for the Operations Office. BN needs to provide additional information regarding employee and management awareness of recycling goals and objectives.

IV SITE OPERATIONS AND INFRASTRUCTURE

Special Emphasis Area 3-Reduce the Cost of Doing Business

While BN is taking positive steps to meet the approved milestone schedules and mid term results indicate that these actions may achieve significant results, the full effect of BN's efforts on indirect staffing levels, productivity and efficiency will be known at fiscal year-end. Initially, BN's response to the Cost of Doing Business initiative focused on supporting the status quo rather than on identifying creative and innovative solutions which, when implemented, could improve efficiencies and reduce costs. This was particularly evident in areas having potential opportunities for indirect staff reductions.

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Subsequently and as a result of focused management attention, BN transitioned to a much more aggressive posture in dealing with the issue of Cost of Doing Business at the NTS.

Achievement

Coupled with the development of a path forward for all 25 Focus Areas, BN has now instituted suggestion and efficiency programs designed to improve productivity and reduce costs. BN aggressively pursued the development of strategies for resource sharing in support of the Bechtel-SAIC and in internally consolidating administrative resource functions. BN has also conducted an independent organizational assessment which validated many of the NNSA/NV concerns and identified a framework for the development of several opportunities to improve organizational clarity and focus.

Observation/Comment

BN needs to ensure that all Focus Area Action Plan milestones are completed as scheduled and that claimed cost reductions are sufficiently documented including identifying the basis for measuring staffing and cost reductions.

Special Emphasis Area 4-Strengthen Business Management Systems and Processes

BN continues to provide sound financial stewardship. Financial accounting reports are timely and accurate. There have been no instances identified of fraud, waste or abuse or significant audit findings relating to financial processes. BN's management of year-end encumbrances was particularly noteworthy. Also of note was BN's continued support to the Base Support Trunk Radio System (BSTRS) project and upgrade of computer systems. However, BN needs to demonstrate greater consistency in managing indirect costs and indirect cost variances. Also, attention needs to be focused on the quality and timeliness of Work for Others (WFO) Business Management Oversight Program (BMOP) assessments and reporting.

Achievements

BN month-end submissions are on time or in advance of due date and are error free. This allows NNSA/NV additional time to run edits and meet external reporting dates. BN planned and communicated FY 00 encumbrance allowances and effectively implemented the plans supporting FY 00 year-end encumbrances with uncosted obligations. Support to the Business Management Information System initiative continues to be effective as the execution of the

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Business Application Project Plan is on or ahead of schedule. Also, BN did process re-engineering on how inventory is maintained and accounted.

BN has managed the complex BSTRS Project effectively and on schedule. Delivery of the infrastructure equipment was accepted; complex logistics were accomplished in preparation for specific deployment and installation at approximately fifteen locations; and equipment valued at almost \$8M representing hundreds of line items were effectively inventoried and staged.

Service upgrades to the computer systems were noteworthy. BN mitigated the enterprise servers to ORACLE 8+ ensuring continued support and capability associated with the upgrade. In addition, upgrades were made to the Occupational Health Medicine, P-Card, Internet Explorer, and Facility Information Management systems. Progress with the planning, information architecture, information protection and infrastructure modernization is being made and BN's emphasis on customer service is apparent in its attempt to parallel DOE and NNSA/NV information technology standards while aggressively pursuing options to reduce information technology costs.

Areas Requiring Improvement

BN indirect costs are \$2.3 M under-recovered through the first half of the fiscal year. This is significantly below what should have been recovered at this point and will require significant and unplanned interim rate adjustment to eliminate the variance by fiscal year end. The unfavorable variance appears to be the result of understated rates due to optimistic spending estimates. BN needs to be more conservative in estimating spending rates to minimize the possibility of material indirect cost variances.

The quality and timeliness of BMOP Work for Others Administration process and the annual self assessment and reporting need management attention. The joint assessment report for FY 00 lacked depth and was not finalized until six months after the due date. In addition, the agreement that sets the criteria for BN performance of the BMOP Work for Others Administration function during FY 01 has not been finalized by BN. Continued delay may jeopardize BN's opportunity to meet NNSA/NV's expectations by the next annual assessment reporting date on July 31, 2001.

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Observations/Comments

Substantial progress has been made by BN in protecting the BN computing environment. The Price Waterhouse review was a good first step. BN needs to provide continued attention to the tracking and disposition of actions.

Continued management attention is required on monitoring communications during emergency exercises. Prior problems such as those regarding communications equipment and operational procedure shortfalls during "Bright Sun" and the subsequent communications and operational issues identified during the "DAF Drill" have been addressed and appear to have been corrected but BN's diligence is required to ensure problems do not recur.

The organizational separation of financial control and work control does not establish a single point of accountability that will ensure timely compliance with basic funds management requirements. In the absence of organizational consolidation of Project Controls and the CFO organization, BN needs to demonstrate that sufficient internal and accounting controls for funds management are in place and operating effectively.

Special Emphasis Area 5 - Enhance Security Activities

BN's proactive performance during the reporting period fully satisfied the requirements of this special emphasis area. The contractor exceeded NNSA/NV's expectations by implementing high-quality automated information systems security enhancements.

Achievement

BN was very proactive in implementing the requirements of the cyber security initiatives during this reporting period. The high quality of the effort was verified during the DOE/HQ Office of Assessment review of the Nuclear Emergency Support Team Program. This review resulted in no identified deficiencies in the area of cyber security. BN has remained vigilant in meeting program requirements in the area of cyber security. While many other organizations in the DOE community continue to struggle with cyber security initiatives, BN has demonstrated an excellent program during this reporting period.

Special Emphasis Area 6 - Enhance Support for Work For Others Activities

BN continued to support Work for Others (WFO) projects in an efficient and effective manner.

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Achievements

BN did an excellent job in the transition of a new project manager into the Department of Justice's (DOJ) Weapons of Mass Destruction (WMD) project. The transition took place after DOJ project redirection, a very critical and difficult time in the project. As a result of BN's efforts, project management and relationships with DOJ and NNSA/NV have been substantially strengthened.

The RSL Project Javelin achieved a major milestone during the first half of FY 2001 by accelerating its development schedule to provide support for the Presidential Inauguration and a major Department of Defense (DOD) exercise. Javelin's performance during the exercise exceeded its original design specification, receiving noteworthy praise by both the individual operators and their command. This event and Javelin's accomplishments resulted in a personal letter of appreciation issued by the Director of the Office of Emergency Operations, Office of Security and Emergency Operations, NNSA.

DOE Headquarters commended BN's performance in support of Pacific-Marshall Islands programs including the planning, organization, procurement, delivery, and installation of a prefabricated building shell to Enewetak Atoll. As a result of the success of this activity, DOE will now be able to adhere to and implement a field plutonium analysis program at the site in conformance with an international agreement between DOE and the Republic of the Marshall Islands/Enewetak-Ujelang Local Governing Council. In addition, BN concluded arrangements for the use and support of an aircraft at Kwajalein to enable field personnel, employees, governmental visitors, and other authorized personnel to travel to and from remote sites in a safe, reliable, and cost effective manner.

BN also demonstrated strong initiative and acumen in negotiating with US Air Force authorities the transfer of a facility to the Air Force, which obviated costs in excess of \$330,000 for future DOE maintenance and demolition of the structure. Additionally, BN successfully prepared indigenous Marshallese citizens for roles of increased responsibility in the operation and execution of DOE's Marshall Islands program. BN has also demonstrated a great ability to adapt to a major change in program direction in a prompt and professional manner by setting up the transfer of office operations and field work at Majuro Atoll after arrangements for a Rongelap-based facility fell through.

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Areas Requiring Improvement

As a result of facility modifications and diagnostic development budget over-runs, the Tactical Demilitarization Development statement of work was not completed. NNSA/NV will monitor this situation closely during the second half of the performance period.

Special Emphasis Area 7 - Maintain Capability to Support Resumption of Underground Testing

Overall, BN continues to make progress and meet expectations in this performance area.

Achievements

BN successfully finalized the critical skills data base as recommended by the Chiles Commission. The data base identified and forecasted critical Defense Program (DP) staffing resources required through FY2003. This forecast will assist in projecting labor cost for future projects, such as ATLAS.

Observations/Comments

Work toward the Test Readiness Assessment is on-going and implementation of certain important actions has commenced. However, NNSA/NV has not received BN's final workforce development plan addressing recommendations of the Chiles Commission.

Special Emphasis Area 8 - Environmental Management Activities

While BN was able to successfully meet two of the performance expectations identified for this period, BN needs to focus attention on management and implementation of the Waste Management program and development of the Waste Management baseline in accordance with established protocols and requirements.

Achievements

BN successfully provided the final certification on March 5, 2001 that all facilities for which radioactive waste management activities are performed had been assessed and the appropriate data incorporated into the NNSA/NV Site-Wide Radioactive Waste Management Baseline.

On their own initiative, Bechtel Nevada partnered with company representatives at other sites

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to form the Bechtel Environmental Management Exchange Team. The purpose of the organization is to share information concerning the use of technologies that save costs and accelerate schedules to effectively and safely remediate sites. Several technologies are being discussed for future development and deployment to meet these objectives are being considered for future deployment initiatives. This team concept has been highlighted by the national Subsurface Contaminants Focus Area and brought favorable impression for NNSA/NV.

BN was extremely proactive in their search and use of innovative technologies within the Industrial Sites project. In particular, BN's planned use of the In-situ Object Counting System (ISOCS) in Decontamination and Decommissioning (D&D) work has strong potential. If implementation of this system is successful, it will result in future cost savings in both D&D work as well as other restoration activities.

Area Requiring Improvement

The BN submittal of the Waste Management Baseline was rejected by NNSA/NV because it was not in compliance with the identified criteria, there were numerous inconsistencies within the document, and NNSA/NV comments were not fully incorporated or concerns sufficiently addressed.

Special Emphasis Area 9 - National Emergency Response Project Integration

BN identified three out of the five R&D efforts recommended as potential candidates for scientific/engineering achievement awards. While applying for these potential scientific/engineering achievement awards of Awards/Recognitions, BN has positioned the Remote Sensing Laboratory to provide technically challenging technology development opportunities, thereby, supporting NNSA/NV essential emergency response competencies and skill mix.

Achievement

BN has successfully canvassed and identified technology/R&D achievement award programs and performed a preliminary review of NNSA/National Security Response work to identify candidates for scientific/engineering achievement awards. BN's effort has resulted in the identification of three potential activities for award submission.

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Special Emphasis Area 10- Site Development Plan

The NNSA/NV Site Development Plan (SDP), and the associated planning processes, represent NNSA/NV's strategy and process for managing its facilities and infrastructure. BN has been very proactive in developing the plan. However, additional emphasis must be placed on the supporting functions, such as improving cost estimates, project sponsor involvement, task planning and change control, procurement support, and incorporation of DOE O 413.3. requirements.

Achievements

BN has continued to meet the aggressively scheduled milestones associated with the Nevada Operations Office's Site Development Plan (SDP) and Defense Programs Ten Year Site Comprehensive Plan. BN is working closely with NNSA/NV and the local community to ensure that the plan meets expectations and is achievable.

BN has hired a full-time Integrated Planning Group Manager, who now has responsibility for preserving and modernizing NNSA/NV's facilities and infrastructure. This role includes maintenance and execution of the SDP, project planning and design, and execution of site-wide infrastructure projects. This organizational change more readily positions BN to not only be successful at maintaining the NNSA/NV infrastructure, but to assume a leadership role throughout the NNSA complex in the area of infrastructure management.

Areas Requiring Improvement

In the area of infrastructure management, BN needs to place additional emphasis on effectively planning for, and ultimately supporting, NNSA/NV line item construction activities which are subject to DOE O 413.3 requirements. As an example, the procurement strategy utilized on the Roadway Renovation Project required five months to execute and resulted in only one company (a joint venture) bidding on the job. BN also did not provide timely information to the Army Corps of Engineers, when originally requested, so that they could perform a validation and substantiate the proposal for NNSA/HQ. Senior NNSA/HQ and NNSA/NV management had to get involved in this action before BN complied with the original NNSA/HQ request.

BN's scope development and cost estimating practices caused both delays and concerns in the execution of NNSA/NV's Line Item Projects and General Plant Projects (GPPs). NNSA/NV was forced to delay commencement of all new FY 2001 GPPs for four months due to systemic problems in BN's cost estimating process. In regard to Line Item Projects, NNSA/HQ (DP-10) required that NNSA/NV perform an Independent Project Review of

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BN's cost estimating practices, after concerns were identified during a formal HQ review of the Roadway Renovation Project. As a result of the FY 2001 GPP delays, no field activities, associated with the FY 2001 GPPs, could commence until the third quarter of FY 2001, more than six months after the beginning of the fiscal year.

BN has not supplemented the Project Services Task Plan, which provides funding for work associated with line item and GPP activities, identified and agreed to after the beginning of the fiscal year. Funding identified for other tasks has been used to supplement these new activities, creating delays in other task plan deliverables. As recently as March 30, 2001, \$547.5K in projected costs have been identified as being necessary to accomplish defined work scope (above the original task plan funding), but no funding has been moved into the Project Services Task Plan. In addition, BN has not initiated the necessary change control action to make the Project Services Task Plan current.

PRE-DECISIONAL/PROCUREMENT SENSITIVE
ENCLOSURE 2

FY 2001 1ST HALF ASSESSMENT OF BECHTEL NEVADA'S PERFORMANCE
NNSA/NV CONTRACT DE-AC08-96NV11718
AWARD FEE SPECIAL EMPHASIS AREAS

Score	% Fee Earned	Performance Level
A	90% - 100%	Performance substantially exceeded expected levels.
B	60% - 89%	Performance exceeds expected levels.
C	30% - 59%	Performance meets expected levels.
D	01% - 29%	Performance is less than expected.
E	0%	Performance is unacceptable.
		FY 2001 Fee Pool 19,700,000

Special Emphasis Area (SEA)				Fee Available 1st Half	% Fee Earned 1st Half	Fee Earned 1st Half
SEA 1	General Management.	MGR	15%	\$2,955,000	87%	\$1,292,391
SEA 2	Enhance Operational Safety Culture	TS	2%	394,000	80%	157,600
SEA 3	Reduce the Cost of Doing Business	BFS	10%	1,970,000	70%	689,500
SEA 4	Strengthen Business Management Systems and Processes	BFS	2%	394,000	88%	173,360
SEA 5	Enhance Security Activities	TS	1%	197,000	89%	87,665
SEA 6	Enhance Support for WFO Activities	NS	2%	394,000	85%	167,450
SEA 7	Maintain Capability to Support Resumption of Underground	NS	3%	591,000	70%	206,850
SEA 8	Environmental Management Activities	EM	2%	394,000	75%	147,750
SEA 9	National Emergency Response Project Integration	NS	1%	197,000	90%	88,650
SEA 10	Site Development Plan	TS	2%	394,000	80%	157,600
Total Award Fee				\$7,880,000	80.43%	\$3,168,816
Total Unearned Fee					19.57%	\$771,184

PRE-DECISIONAL/PROCUREMENT SENSITIVE

PRE-DECISIONAL/PROCUREMENT SENSITIVE
ENCLOSURE 3

FY 2001 1ST HALF ASSESSMENT OF BECHTEL NEVADA'S PERFORMANCE
NNSA/NV CONTRACT DE-AC08-96NV11718
PERFORMANCE BASED INCENTIVES

FY 2001 FEE POOL		19,700,000	11,820,000	Fee Available 1st Half	Fee Earned 1st Half
National Security					
NS01.01	SCEs	9.33%	\$1,838,010	\$985,000	\$985,000
NS01.02	Experimental Diagnostics (6%)	3.00%	591,000	295,500	295,500
	NTS Radiography Source Development	3.00%	591,000	295,500	295,500
	High Energy Density Physics				
NS01.03	Experimental Facilities (13.67 %)	3.00%	591,000	246,250	246,250
	U1a	5.00%	985,000	394,000	394,000
	JASPER	5.00%	985,000	394,000	394,000
	DAF Glove Box	0.67%	131,990	0	0
	ATLAS Title I Design	5.00%	985,000	0	0
NS01.04	Emergency Response	34.00%	6,698,000	2,610,250	2,610,250
Environmental Management					
EM01.01	Environmental Restoration	5.00%	985,000	492,500	492,500
EM01.02	Hydrogeologic Wells	3.00%	591,000	0	0
EM01.03	WEF Operations	3.00%	591,000	98,500	98,500
		11.00%	2,167,000	591,000	591,000
Technical Operations					
TS01.01	Removal of Assets/Enhance Asset Management	10.00%	1,970,000	590,000	590,000
TS01.02	Long Term ISM Maintenance	5.00%	985,000	98,500	98,500
		15.00%	2,955,000	688,500	688,500
Total Incentive Fee		60.00%	\$11,820,000	\$3,889,750	\$3,889,750

PRE-DECISIONAL/PROCUREMENT SENSITIVE

SUMMARY OF BN/NV FY 2001 1ST HALF PBI INCENTIVE FEE EARNED RECONCILIATION

PBI #	DESCRIPTION	CHANGE
EM-01-01	ENVIRONMENTAL RESTORATION	(64,239.14)
TOPS01-01	REMOVAL OF ASSETS/MANAGEMENT	295,000.00
TOPS01-02	LONG TERM MAINTENANCE	
	Expectation 1	(59,100.00)
	Expectation 2	<u>394,000.00</u>
NET CHANGE AFTER RECONCILIATION		565,660.86

Total Fee Earned After PBI Reconciliation	7,624,226.87
Total Fee Earned Submitted to HQ	<u>7,058,566.00</u>
	565,660.87

MEMO TO FILE
BN FY 2001 1ST HALF INCENTIVE FEE EARNED ISSUE

Issue

Non-concurrence between NNSA/NV and BN on incentive fee earned on performance based incentive scorecard TOPS-01-02 Expectation 2. This non-concurrence could result in a delay in rendering in writing to BN the 1st half FY 2001 fee determination. This potential delay would entitle the contractor to interest on the total determined available fee amount earned. (Reference: I.105 (e) 970.5215-1 TOTAL AVAILABLE FEE: BASE FEE AMOUNT AND PERFORMANCE FEE AMOUNT (DEC 2000) [formally 970-5204-54])

Background

In accordance with the BN FY 2001 Performance Evaluation and Measurement Plan a fee determination must be made seventy calendar days after the end of the evaluation period. The evaluation period ended March 31, 2001, therefore, a fee determination must be rendered by June 8, 2001. BN advised they do not concur with the AMTS decision to delay assessment of their performance in meeting the expectations of PBI TOPS 01-02 expectation 2 until the second half of FY 2001. AMTS made this decision after BN advised that the final reports for the five assessments conducted, in accordance with the expectations of this PBI measure, would not be submitted until April 15, 2001. AMTS did not consider the expectation met until the final reports were validated by NV. BN advised that they received verbal authorization from NV that submission of preliminary reports would satisfy the validation criteria and therefore did not concur with the decision to delay determination.

Resolution

Terry Wallace (NV's Deputy Assistant Manager for Technical Services) completed a review of the preliminary reports and determined that 100% of the fee associated with PBI scorecard TOPS01-02 Expectation 2 was earned by BN and will be included in the 1st half fee determination. It was also determined that Steve Mellington, D/AMEM, provided verbal authorization to BN to submit preliminary reports after he requested the assessment schedule be accelerated.

Impact

This decision to resulted in a \$565660.87 increase in the total PBI fee earned by BN for the 1st Half of FY 2001.

Wanda B. Gay
Contract Specialist

Date